

Pacific Issues

- ☐ Legal
- ☐ Organizational
- ☐ Associate Benefit Gap
- ☐ Executive Compensation

Pacific Legal Issues

Resolved

- ☐ Chesapeake Director & Officer indemnification coverage for 6 years after transaction

Unresolved

- ☐ Pacific Indemnification Provision for reversal of IRS letter ruling
- ☐ Provision for Pacific "Material Adverse Change" (floor price)
- ☐ Terms of subordinated notes
- ☐ Extent of commitment to employee presence
- ☐ Section 6.1: Management discretion prior to closing--Pacific approval for significant business decisions
- ☐ Eliminate Pacific shareholder approval as condition to closing
- ☐ Injunction as only litigation condition to closing
- ☐ Selection of Chesapeake representative to Pacific Board for 3-year term
- ☐ Definition of "Materially Burdensome Condition"--
regulatory condition to closing

Pacific Organizational Issues

Resolved

- ☐ Role of advisory boards
- ☐ Headquarters

Unresolved

- ☐ Role of Unicare in eastern region
- ☐ WLJ title
- ☐ Role in BCBSA
- ☐ WLJ role regarding Pacific Board
- ☐ Selection of Chesapeake management team
- ☐ Cerulean management team
- ☐ Eastern region expansion

Pacific Open Issue -- Associate Benefits

Reductions:

- ☐ Pension
- ☐ Retiree Health Benefits
- ☐ Active Associate Health Benefits
- ☐ Annual Incentive Plan for Non-Management
- ☐ Extended Work Week

Potential Offsets:

- ☐ Stock Award--401K
- ☐ 401K Match
- ☐ Stock Purchase Program
- ☐ Paid Time Off
- ☐ Increase Base Salary to offset loss of incentive and extended work week

Pacific Open Issue -- Executive Compensation

- ☐ Merger Incentive
- ☐ Excise Tax

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